

Message Text

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PAGE 01 SANTIA 03688 181637Z POSS DUPE
ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02
NSC-05 SS-15 STR-07 CEA-01 PA-02 /112 W
-----019551 181815Z /64/17

R 161953Z MAY 78
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 9227
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA
AMCONSUL SAO PAULO
AMEMBASSY LA PAZ
AMEMBASSY LIMA

UNCLAS SANTIAGO 3688

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: N/A
TAGS: EFIN, AFIN, ALOW, CI
SUBJECT: APRIL INFLATION, MONEY SUPPLY AND IMPORTS
REGISTRATION TRENDS

1. THE CHILEAN CONSUMER PRICE (CPI) ROSE 2.6 PERCENT IN APRIL.
CUMULATIVE INFLATION THUS FAR IN 1978 TOTALS 10.1 PERCENT; IF
ANNUALIZED, THIS FIGURE YIELDS 33.5 PERCENT FOR CALENDAR YEAR 1978.

2. INCREASES BY MAJOR SPENDING CATEGORIES WERE: FOOD 2.8 PER-
CENT; HOUSING 1.7; CLOTHING 4.1; AND MISCELLANEOUS 1.9 PERCENT.

3. INFLATION OVER 12-MONTH PERIOD NOW STANDS AT 44.6 PERCENT. A
LINEAR TREND STARTING FROM MAY 1977 THROUGH APRIL 1978 INDICATES
THAT INFLATION DURING 1978 COULD BE AS LOW AS 33.1 PERCENT.
NEVERTHELESS, THIS IS SOMEWHAT OF A DISAPPOINTMENT TO GOC
BECAUSE A MORE RAPID RATE OF DECREASE WAS EXPECTED.
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4. MONEY SUPPLY (M1): PRELIMINARY FIGURES FOR APRIL SHOW A
6.5 PERCENT INCREASE OVER THAT OF MARCH. MONEY SUPPLY EXPANSION
THUS FAR IN 1978 TOTALS 34.9 PERCENT, OR 22.5 PERCENT WHEN DIS-
COUNTED FOR INTERNAL INFLATION. IN EARLY 1978 THE CENTRAL BANK
ANNOUNCED REAL GROWTH TARGET FOR M1 OF 50 PERCENT. AT THE CURRENT
RATE OF MONETARY GROWTH THIS OBJECTIVE IS NOT LIKELY TO BE

REACHED. ALTHOUGH AN EVEN GREATER INCREASE OF M1 WOULD BE INFLATIONARY, SOURING INTEREST RATES INDICATE A DISPARITY BETWEEN MONEY SUPPLY AND CREDIT DEMAND. TO MAINTAIN INVESTMENT AND GROWTH, THE GOC WILL CLEARLY HAVE TO REIN IN INTEREST RATES BY INDUCING GREATER LIQUIDITY IN THE CAPITAL MARKET. THIS WILL HAVE AN INFLATIONARY COST.

5. IMPORT REGISTRATION: IMPORTS IN APRIL WERE VALUED AT US\$238 MILLION, A 41 PERCENT INCREASE OVER THE SAME MONTH LAST YEAR. INCLUDING THE EXCEPTIONALLY HIGH IMPORT FIGURE FOR APRIL, THE GROWTH OF TOTAL IMPORTS DURING THE PERIOD JANUARY-APRIL 1978, AS COMPARED TO THE SAME PERIOD IN 1977, INCREASED 18.5 PERCENT.
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